

CHANGES TO THE NOTICE ON MINIMUM ENTRY AND EXAMINATION REQUIREMENTS FOR REPRESENTATIVES OF LICENSED FINANCIAL ADVISERS AND EXEMPT FINANCIAL ADVISERS

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Introduction

On 1 February 2014, amendments to the Monetary Authority of Singapore ("**MAS**") Notice on Minimum Entry and Examination Requirements for Representatives of Licensed Financial Advisers and Exempt Financial Advisers (Notice No. FAA-N13) ("**the Notice**") will take effect and will increase the minimum academic entry requirements for representatives of financial advisers and exempt financial advisers.

The new minimum academic requirements

From 1 February 2014, newly appointed representatives of

1. All licensed financial advisers,
2. Banks licensed under the Banking Act,
3. Merchant banks approved as a financial institution and approved to carry on a business providing any financial advisory service under the Monetary Authority of Singapore Act,
4. Companies or co-operative societies licensed under the Insurance Act,
5. Holders of capital markets services licences under the Securities and Futures Act, and
6. Finance companies carrying on a business of providing any financial advisory service having been granted an exemption from section 25(2) of the Finance Companies Act,

who provide financial advisory services must meet the following minimum academic qualifications:

1. A full certificate in GCE "A" level,
2. An International Baccalaureate Diploma qualification,
3. A diploma awarded by a polytechnic in Singapore, or
4. Any other academic qualification is equivalent to the above.

MAS, in responding to public consultation comments, confirmed that besides holders of a financial adviser's licence, these new requirements will also affect financial advisers who are exempt, pursuant to sections 23(1)(a) to (e) of the Financial Advisers Act ("**FAA**"), from obtaining a financial adviser's licence. It highlighted, as an example, that appointed representatives of Capital Markets Services licensees (exempt from holding a financial adviser's licence) would fall under the new requirement.

Industry respondents also sought greater clarity on what academic qualification would be considered equivalent to the ones listed (GCE "A" level, IB Diploma, Singapore Polytechnic Diploma). MAS acknowledged that there could be many possible equivalent qualifications, especially from foreign institutions. Individual financial advisory firms should conduct their own due diligence on whether the

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qualifications of their appointed representatives meet the requirements, especially if it is an equivalent qualification. MAS noted the following criteria which could help firms determine whether the qualification was an equivalent one:

1. The total number of training hours of the course is at least 900 hours or the course duration is at least 2.5 years if on a part-time basis,
2. The assessment method is minimally 50% examination-based, and
3. The qualification allows for admission into a university.

However, CMFAS Examination requirements do not apply to persons currently employed with a company that acts as a financial adviser in giving advice and issuing reports on any investment products (other than life policies), to not more than 30 accredited investors under regulation 27(1)(d) of the Financial Advisers Regulations.

Grandfathering arrangement for current representatives

In recognition of the working experience of existing representatives and to prevent disruption to the service of their customers, the old academic entry requirements (four GCE "O" level passes) will be grandfathered in, with the new academic entry requirements not applying to

1. All existing representatives before 1 February 2014, and
2. Individuals whose notifications to be appointed as representatives of licensed financial advisers or exempt financial advisers have been lodged with MAS before 1 February 2014.

However, MAS states that these grandfathered representatives must re-take and pass applicable Capital Markets and Financial Advisory Services (CMFAS) Examination modules if they leave the industry for a continuous period of more than one year and if they do not meet the new academic qualifications. Specifically,

1. Persons who were financial advisory representatives before or on 1 February 2014, but ceased to be representatives any time after 1 February 2014, and then only re-commenced being representatives more than 1 year from the date of cessation, and
2. Persons who were financial advisory representatives before 1 February 2014 and ceased to be representatives before or on 1 February 2014, and then only re-commenced being representatives more than 1 year from the date of cessation.

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